

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**PERRY COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2005**

The Auditor of Public Accounts has completed the Perry County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees decreased by \$55,277 from the prior year, resulting in excess fees of \$0 as of December 31, 2005. Revenues increased by \$289,176 from the prior year and expenditures increased by \$344,453.

**Debt Obligations:**

Capital lease principal and interest outstanding totaled \$3,419 as of December 31, 2005.

**Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Honorable Pat Wooton, Perry County Sheriff  
Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Perry County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2006, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Denny Ray Noble, Perry County Judge/Executive  
Honorable Pat Wooton, Perry County Sheriff  
Members of the Perry County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Perry County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 31, 2006



PERRY COUNTY  
PAT WOOTON, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	22,560
State Grant:			
Coal Severance			200,000
State - Kentucky Law Enforcement Foundation Program Fund			34,959
State Fees For Services:			
Finance and Administration Cabinet	\$	159,068	
Cabinet For Human Resources		931	
Buckhorn Lake Contract		<u>13,500</u>	173,499
Circuit Court Clerk:			
Sheriff Security Service		4,862	
Fines and Fees Collected		690	
Court Ordered Payments		<u>8,520</u>	14,072
Fiscal Court			33,779
County Clerk - Delinquent Taxes			2,972
Commission On Taxes Collected			299,669
Fees Collected For Services:			
Auto Inspections		10,104	
Accident and Police Reports		32,769	
Serving Papers		21,813	
Carrying Concealed Deadly Weapon Permits		<u>14,910</u>	79,596
Other:			
ARH		6,600	
Sheriff's Add On Fees		57,530	
Sheriff's Fees on Taxes		4,523	
Refunds		22,591	
HIDTA - Wages		61,047	
UNITE		39,920	
HB 413		5,575	

The accompanying notes are an integral part of this financial statement.

PERRY COUNTY  
PAT WOOTON, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

Revenues (Continued)

Other: (Continued)			
Federal Asset Forfeiture	\$	9,412	
State Asset forfeiture		2,855	
Miscellaneous		<u>3,000</u>	\$ 213,053
Interest Earned			733
Borrowed Money:			
State Advancement		180,000	
Bank Note		<u>100,000</u>	<u>280,000</u>
Total Revenues			1,354,892

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-	
Deputies' Gross Salaries	\$ 317,582
Justice Center Personnel	174,889
Unite Personnel	42,752
HIDTA Personnel	46,962
Employee Benefits-	
Employer's Share Social Security	28,324
Employer's Share Retirement	2,880
Materials and Supplies-	
Office Materials and Supplies	1,658
Uniforms	6,663
Auto Expense-	
Gasoline	53,489
Maintenance and Repairs	40,141
Other Charges-	
Postage	5,923
Training	6,751
Copier	2,307
Computer Service	3,858
CCDW Permits	12,305
Miscellaneous	26,425
Phone	4,696
Fax Machine	578

The accompanying notes are an integral part of this financial statement.

PERRY COUNTY  
PAT WOOTON, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges- (Continued)

Pager and Cell Phone	\$	1,073
POPS Testing and Physical & Drug Testing		712
Fiscal Court - Paper Fee		8,620
Unemployment Insurance		12,023

Capital Outlay-

Vehicles	<u>200,000</u>	\$ 1,000,611
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Debt Service:

State Advancement		180,000
Notes		100,000
Interest		<u>2,420</u>

Total Expenditures		<u>\$ 1,283,031</u>
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Net Revenues		71,861
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Less: Statutory Maximum	69,465	
Training Incentive Benefit	<u>2,396</u>	<u>71,861</u>

Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 0</u></u>
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PERRY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2006  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2006  
 (Continued)

Note 4. Leases

The Sheriff's office was committed to the following lease agreements as of December 31, 2005:

Item	Monthly	Term of	Ending	Principal
Purchased	Payment	Agreement	Date	Balance
				December 31,
				2005
Fax Machine	\$ 53	36 Months	January 9, 2007	\$ 689
Copier	\$ 210	48 Months	January 14, 2007	\$ 2,730

Note 5. Coal Severance Grant

The Perry County Fiscal Court received a coal severance grant and passed the funds through to the Sheriff's office. The purpose of this grant is to purchase vehicles and other necessary equipment for operating the Sheriff's office. The beginning balance as of January 1, 2005 was \$0. During 2005, funds of \$200,000 were received and expended, leaving a cash balance of \$0 as of December 31, 2005.

Note 6. Cops Overtime Grant

The Perry County Sheriff maintains an official bank account for a Cops Overtime Grant. The purpose of this fund is to provide additional funds to allow the Sheriff to pay overtime additional duties. The beginning balance as of January 1, 2005 was \$0. During 2005, funds of \$21,226 were received and \$17,530 were expended, leaving a cash balance of \$3,696 as of December 31, 2005.

Note 7. Asset Forfeiture Account

The Perry County Sheriff maintains an official bank account for monies obtained from seizures and sales of property used in illegal drug activities. The purpose of this fund is to purchase necessary equipment for operating the Sheriff's office. The beginning balance as of January 1, 2005 was \$0. During 2005, funds of \$12,344 were received and \$12,275 were expended, leaving a cash balance of \$69 as of December 31, 2005.

Note 8. State Asset Forfeited Account

The Perry County Sheriff maintains an official bank account for monies obtained from seizures and sales of property used in illegal drug activities. The purpose of this fund is to purchase necessary equipment for operating the Sheriff's office. The beginning balance as of January 1, 2005 was \$0. During 2005, funds of \$3,357 were received and \$1,000 were expended, leaving a cash balance of \$2,357 as of December 31, 2005.

Note 9. Tax Escrow Account

The Tax Escrow Account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance in the account as of January 1, 2005 was \$16,761. During 2005, funds of \$1,817 were received and no funds were expended, leaving a cash balance of \$18,578 as of December 21, 2005.

COMMENT AND RECOMMENDATION





PERRY COUNTY  
PAT WOOTON, SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2005

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The internal control structure lacks an adequate segregation of duties. There is a limited staff size, which prevents adequate division of responsibilities. The Sheriff has statutory authority to assume the role of custodian of monetary assets, as well as recorder of transactions and preparer of financial statements. However, having one person solely responsible for these duties compromises the internal control structure of the sheriff's office. Having only one individual who is responsible for all duties increases the risk that misstatements or errors may occur and not be detected in a timely manner. The Sheriff should consider implementing the following controls to help offset the lack of adequate segregation of duties:

- Reconciliation of reports to source documents and receipts and disbursements ledgers by the Sheriff
- All checks to be signed by two people, with one being the Sheriff.
- Sheriff should mail checks for disbursements.
- Sheriff should prepare bank reconciliation.

If these compensating controls are put into place, the Sheriff should document the duties performed by initialing source documents.

*Sheriff's Response: We will comply*

PRIOR YEAR:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Honorable Pat Wooton, Perry County Sheriff  
Members of the Perry County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Perry County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated July 31, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Perry County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Perry County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 31, 2006

